

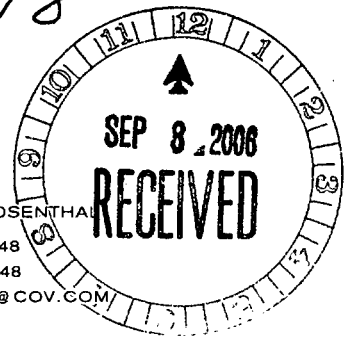
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September 8, 2006

BY HAND

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

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Re: STB Ex Parte No. 575, Review of Rail Access :
and Competition Issues – Renewed Petition of
Western Coal Traffic League

Dear Secretary Williams:

Union Pacific Railroad Company (UP) is filing this letter in response to the August 24, 2006 submission in this proceeding by Entergy Services, Inc. and Entergy Arkansas, Inc. (collectively, Entergy).

Entergy's letter reinforces UP's criticisms of the claim by Arkansas Electric Cooperative Corporation (AECC) that the interchange commitment in the lease agreement between UP and the Missouri & Northern Arkansas Railroad (MNA) increases the rate for moving coal to the Independence power plant by "at least \$3.25 per ton."

Entergy's letter confirms that AECC ignored the actual rate for moving coal to the Independence plant. Entergy says that the actual rate is irrelevant because AECC was only trying to show that UP can charge higher rates to deliver coal to plants served by one carrier than to plants served by more than one carrier. In fact, however, AECC claimed it was estimating the effect of the interchange commitment between UP and MNA on rates to Independence.¹

¹ See Letter from Martin W. Bercovici, Esq., Attorney for AECC, to Vernon A. Williams, Secretary, Surface Transportation Board (Aug. 7, 2006) (enclosing AECC's analysis purporting to show "that the paper barrier limiting service to Independence results in an increased cost of at least \$3.25 per ton").

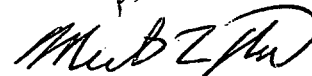
Hon. Vernon A. Williams
September 8, 2006
Page 2

Entergy also says that a comparison of the actual rate for moving coal to the Independence plant with the actual rate for moving coal to its sister plant at White Bluff is inappropriate because UP "beclouded" the issue by "insist[ing] on charging 'blended' rates to both plants." Until this point, UP has refrained from discussing what it understood to be confidential information regarding the development of rates to the Independence and White Bluff plants. Entergy, however, apparently does not regard that information as confidential, and we cannot allow its misrepresentation of the facts to stand: Entergy's agreement with UP, which resulted from the settlement of a lawsuit that Entergy had filed against UP, gave Entergy the option to apportion the parties' agreed-upon blended rate between the two plants. Entergy never exercised its option. Thus, if anyone "beclouded" the issue, it was Entergy.

Entergy's letter also underscores that AECC's calculation does not address the effects of the interchange commitment between UP and MNA. Entergy says that the specific figure that AECC calculated is irrelevant because it is "self-evident" that UP can charge higher rates to deliver coal to Independence because the plant "is captive to UP." However, as UP has repeatedly explained, the interchange commitment did not change the competitive environment at Independence. Independence was built at a site served solely by Missouri Pacific Railroad, which was acquired by UP in 1983, ten years before UP leased MNA the line on which the plant is located. In other words, UP was the sole carrier that served the Independence plant for a decade before UP leased the line to MNA, and thus the lease and interchange commitment did not eliminate any existing competitive options at Independence.

Finally, Entergy asserts that the actual impact of the interchange commitment is irrelevant because the Board can now create new competition by adopting a new rule that would void the commitment. We see no need to add to the already extensive record in this proceeding by repeating here the many arguments that have been made against the adoption of such a retroactive rule.

Sincerely,



Michael L. Rosenthal

cc: Parties on the Service List in Ex Parte No. 575